

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 7033**

**BILL NUMBER: HB 1822**

**DATE PREPARED:** Jan 20, 2001

**BILL AMENDED:**

**SUBJECT:** Cafeteria Plan for Retired State Employees.

**FISCAL ANALYST:** Alan Gossard

**PHONE NUMBER:** 233-3546

**FUNDS AFFECTED:** X

X

X

**GENERAL**

**DEDICATED**

**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill increases from \$5,000 to \$10,000 the maximum amount that may be deposited into a cafeteria plan on behalf of a retired state employee. The bill also provides that, subject to the \$10,000 limit, a retired employee with at least 30 years of creditable service is entitled to an amount based on not more than 65% of the employee's accrued and unused vacation days, sick days, and personal days.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** This bill increases the amount that may be deposited by retired state employees into a cafeteria plan based on unused vacation, sick, or personal days. The bill also increases the percentage of the value of unused days for individuals with at least 30 years of service. Based on the records of 7,880 individuals who terminated employment in 2000, the estimate of the impact of this proposal is about \$250,000 annually. About 55% of this amount, on average (or \$138,000), would be funded from the state General Fund with the balance funded through federal and dedicated funds.

***Background:*** Currently, payment on behalf of an employee for unused leave time upon retirement is based on the hourly rate the employee was paid on the employee's retirement date times a fraction of the number of accrued, but unused, vacation, sick, and personal days. This fraction is determined by the following: (1) for an employee with at least 10 years but less than 15 years of creditable service, the fraction is 20%; (2) for an employee with at least 15 years but less than 20 years of creditable service, the fraction is 35%; and (3) for an employee with at least 20 years of creditable service, the fraction is 50%. This bill adds another category for those employees with at least 30 years of creditable service: the fraction that is paid of these employees is to be 65%.

Also, the maximum amount that an employee is currently entitled to is \$5,000. This proposal increases the maximum to \$10,000.

This provision will have the greatest effect on those employees with relatively higher salaries and relatively higher amounts of accrued, but unused, leave time. Based on the records of 7,880 individuals who terminated employment

with the state in 2000, additional expenditures to the state would be about \$250,000 annually. Sixty-five individuals (or 0.8%) would have benefitted under the new maximum payout level, while 39 of the 65 individuals would have gained the entire additional \$5,000 permitted by this bill.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:**

**Information Sources:** State Auditor's Office.